

Indian Fund Audit Finds Mishandling

\$17 Million Gone Without Explanation

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WASHINGTON — An audit has turned up widespread Interior Department mismanagement of a trust fund for the nation's Indians that includes the unexplained disappearance of \$17 million and other losses, officials said Friday.

The losses, which affect some of the Indian tribes in New Mexico, were brought to light by an inspector general's investigation of the Bureau of Indian Affairs' management of the trust fund totaling more than \$17 billion.

The fund, which represents money belonging to 200 Indian

tribes and 290,000 individuals, is managed for investment purposes by the bureau. Most of the money comes from court-ordered monetary awards to the Indians in revenge from oil, gas or mineral leases.

Inspector General James Richards blamed much of the losses on "accounting errors and sloppy accounting procedures" and said the federal government could be held responsible for some of the losses.

His report concluded that the financial and investment records of the trust fund were in such disarray that their accuracy no longer can be

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relied on.

"One of the shocking things was BIA's practice of not reporting these losses to the tribes, but waiting to see if anyone complained," Richards said. He predicted the tribes will "press for the BIA to restore the funds."

The BIA is a division of the Interior Department.

The investigators said they found no evidence indicating how \$17 million shown on the fund's main ledger had been disposed of. While there is no direct evidence that the money had been stolen, the report said it did not rule out the possibility.

The investigators did, however, document millions of dollars in losses because of poor management and record keeping.

For example:

• At least \$5 million remains unaccounted for in connection with the fund's investments in guaranteed mortgages. Control of some of the mortgage holdings were transferred to a private fiscal agent in 1983, but investigators found no records that showed how many loans were shifted or when they were to be paid off, raising the possibility that some funds may have been lost.

An attempt by investigators to determine the status of 17 loans worth \$3.5 million was unsuccessful because of the incomplete records, said the report. "We believe these funds may have been lost or misappropriated."

• From mid-1985 to the end of 1986, fund managers underreported the amount of uninvested money in the fund, resulting in the loss of \$2.4 million during the 18 months in overnight interest payments from the U.S. Treasury.

At least five tribes in New Mexico lost money because of that problem, the report said. The Navajo tribe lost \$121,400, the Jicarilla Apaches \$101,845, Laguna Pueblo \$89,924, the Mescalero Apaches \$32,451 and Sandia Pueblo \$10,915. Other tribes in New Mexico lost smaller

amounts, but the report didn't list them.

Richards said the fiscal 1990 budget will contain funds to replace the \$2.4 million.

• In 1984, fund managers deposited \$7.8 million in a Kansas City bank to buy certificates of deposits supposedly from a credit union. But no CDs were received, and no interest was paid because the money was diverted fraudulently by a middleman.

The bureau eventually recovered most of the money, but as of April, \$1.5 million still was lost, as was an estimated \$1.2 million in interest that the money could have earned. The losses never were recorded on the trust fund's ledgers, or officially recognized, the report said.

• The fund has lost nearly \$4 million in recent years from bank failures. While such losses normally are recovered in about 60 days, it has taken five years for the BIA to recover some \$3.1 million as a result of bank failures. The delay has cost the fund an estimated \$3.8 million in interest alone, said the report.

The BIA acknowledged severe shortcomings in the record-keeping of the trust fund. It said that much of the problem stemmed from not having a modern automated system. The agency said it is preparing to shift the accounting responsibilities for the fund to a private contractor, possibly later this month.

Actual investment of funds is handled by a crew of seven working out of an office in Albuquerque. Other BIA offices handle the accounting operation.

Sidney Mills, area director of the BIA in Albuquerque, said the investment workers are not under his direction. They are stationed in Albuquerque, but answer to the Washington BIA office, he said.

Mills said he has not seen the inspector general's report and cannot comment until he has a chance to read it.

Though each tribe has its own trust fund, Richards said it is difficult to tell which funds belong to which tribe because funds were pooled for investment purposes